EDUCATION SECTOR MARKETING PRACTICES

PRESENTED TO:

IBM
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INPUT
Park 80 Plaza West-1
Saddle Brook, NJ 07662

ORDER OF PRESENTATION

- INTRODUCTION.
  - PURPOSE.
  - SCOPE.
  - METHODOLOGY.
- CONCLUSIONS.
  - GENERAL.
  - MAINFRAME COMPANIES.
  - MINICOMPUTER COMPANIES.
  - PERSONAL COMPUTER COMPANIES.
- COMPANY PROFILES.
  - MAINFRAME COMPANIES.
  - MINICOMPUTER COMPANIES.
  - PERSONAL COMPUTER COMPANIES.

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INTRODUCTION

INTRODUCTION

PURPOSE

- TO DETERMINE THE MARKETING PRACTICES OF THE VARIOUS TYPES OF COMPUTER COMPANIES TOWARDS THE EDUCATION MARKETPLACE.
- TO COMPARE THE MARKETING ORGANIZATION OF THESE COMPANIES RELATIVE TO SELLING TO THE EDUCATION COMMUNITY.
- TO DETERMINE THE EDUCATION DISCOUNTS OFFERED.

INTRODUCTION - (continued)

SCOPE

- SIX MAJOR MAINFRAME COMPANIES.
- THREE MAJOR MINICOMPUTER COMPANIES.
- THREE MAJOR PERSONAL COMPUTER COMPANIES.
- ALL SELECTED FOR STUDY BY IBM.

INTRODUCTION - (continued)

- COMPANIES INTERVIEWED:
  - AMDAHL
  - APPLE
  - BURROUGHS
  - COMMODORE
  - CONTROL DATA
  - DATA GENERAL
  - DIGITAL EQUIPMENT
  - HEWLETT PACKARD
  - HONEYWELL
  - NATIONAL SEMICONDUCTOR
  - SPERRY UNIVAC
  - TANDY

INTRODUCTION - (continued)

METHODOLOGY

- QUESTIONNAIRE DESIGNED BY INPUT AND USED WITH IBM'S APPROVAL.
- ALL INTERVIEWS WERE BY TELEPHONE.
- BEST EFFORTS USED TO OBTAIN TWO INTERVIEWS PER COMPANY.
- RESULTS REPORTED ORALLY AND IN PRESENTATION FORMAT.
- IBM NEVER IDENTIFIED.
- INPUT IDENTIFIED AS A MARKET RESEARCH FIRM.

CONCLUSIONS

CONCLUSIONS

GENERAL

- ALL COMPANIES CLAIM TO BE CONCENTRATING ON SELLING TO EDUCATION.
- OVERALL, THERE IS NO COHERENT APPROACH TO THIS MARKET.
  - WITHIN COMPANY TYPES MORE CONSISTENCY EXISTS.
- MICROCOMPUTERS ARE BRINGING MAJOR CHANGES TO CERTAIN ASPECTS OF THE MARKET.
- PROPOSITION 13 TYPE LAWS AND FORCED LOW BID LAWS WILL ALSO LEAD TO SIGNIFICANT CHANGES IN THE OVERALL ARENA.
- SYSTEM BOOKINGS TO INSTITUTIONS AND SCHOOL DISTRICTS ARE EXPECTED TO INCREASE.
  - REVENUE FROM EDUCATION AS A PERCENTAGE OF OVERALL SALES WILL PROBABLY DECLINE.

CONCLUSIONS - (continued)

- FEW PRODUCTS ARE DESIGNED SOLELY FOR THE EDUCATION MARKET.
  - SOFTWARE THAT WAS PLANNED FOR EDUCATION HAS FREQUENTLY FOUND OTHER MARKETS.
- EDUCATION MARKETING AND/OR PRODUCT SPECIALISTS ARE USUALLY NOT AWARE OF THE FINANCIAL DETAILS OF A SALE.
  - THIS USUALLY WORKED OUT BETWEEN THE BRANCH, THE REGION AND IN SOME CASES THE HOME OFFICE.
- EDUCATION DISCOUNTS, IF GIVEN, ARE FOR PURCHASED HARDWARE ONLY.
  - THERE ARE SOME EXCEPTIONS WHERE DISCOUNTS ARE EXTENDED TO OTHER CONTRACT TYPES AND/OR OTHER PRODUCTS.

CONCLUSIONS - (continued)

MAINFRAME COMPANIES

- SALES TO EDUCATION: ~5-7% OF 1980 SALES.
- IN GENERAL, THESE COMPANIES WILL MEET THE COMPETITION IF THEY WANT THE ACCOUNT.
- MOST HAVE FORMAL DISCOUNT POLICIES.
  - ALL GIVE DISCOUNTS.
  - DISCOUNT RANGE ON SYSTEMS IS 5-20%.
  - SOME DISCOUNT HARDWARE, SOFTWARE AND MANUALS.
- PRIME CRITERION: INSTRUCTIONAL USE.
  - RARELY DISQUALIFY ANYONE.
- USUALLY HAVE HOME OFFICE SUPPORT GROUP.
  - FIELD ORIENTATION VARIES BY COMPANY.

CONCLUSIONS - (continued)

- USUALLY HAVE CORPORATE GRANT PROGRAMS.
- UNIVERSITIES USED AS TEST SITES OR TO DEVELOP SPECIAL SOFTWARE.

CONCLUSIONS - (continued)

MINICOMPUTER COMPANIES

- GENERALLY VERY RETICENT ABOUT TALKING TO ANYONE ON THE OUTSIDE.
- HAVE A FORMAL NO DISCOUNT POLICY FOR EDUCATION.
  - IN PAST, HAVE BEEN VERY SUPPORTIVE OF EDUCATION WITH GRANTS OF SYSTEMS.
  - WILL OCCASIONALLY MEET THE COMPETITION.

CONCLUSIONS - (continued)

PERSONAL COMPUTER COMPANIES

- SELL TO END USERS THROUGH DEALERS.
  - ONLY GET INVOLVED WITH END USERS IN EDUCATION ON LARGE BIDS.
- STRONGLY FEEL THEIR SHARE OF THE EDUCATION MARKET WILL SHARPLY INCREASE.
  - SEE THEIR MARKET STRENGTH IN THE LOCAL SCHOOL DISTRICTS WITH COMPUTER LITERACY.
- TWO OUT OF THREE INTERVIEWED GIVE EDUCATIONAL DISCOUNTS.
  - ONLY ON SYSTEMS GENERALLY.
- ARE STRONG BELIEVERS IN SEEDING THE MARKET.
  - HAVE ACTIVE DONATION PROGRAMS, FREQUENTLY AT THE DEALER LEVEL.

COMPANY PROFILES

COMPANY A

- MAINFRAME COMPANY.
- EDUCATION IS AN EMPHASIZED INDUSTRY SECTOR WITHIN THE PUBLIC INDUSTRY SEGMENT.
  - EDUCATION PRODUCT SUPPORT GROUP BUYS SERVICES FROM OTHER IN-HOUSE GROUPS.
  - SIXTY U.S. BRANCHES HAVE SALESPEOPLE SPECIALLY TRAINED IN SELLING TO THE PUBLIC SECTOR.
- FLEXIBILITY DEPENDS UPON TOTAL MARKETING SITUATION.
  - SOMETIMES THE BEST DEAL IS A STATE AND LOCAL GOVERNMENT CONTRACT.
- DISCOUNTS.
  - SYSTEMS: 5-15% DEPENDING UPON PROFITABILITY.
  - HARDWARE: REGULAR QUANTITY DISCOUNT.
  - SOFTWARE: 50% OFF PROGRAM PRODUCTS ON BILLINGS OVER $2,000/MONTH.

COMPANY A - (continued)

- CONTRACT TYPE: NO DISTINCTION MADE, PROFITABILITY IS KEY.

- "EFFECTIVE": SOMETIMES DONE, DEPENDS UPON MARKET DYNAMICS.

- HAVE EMPLOYEE MATCHING GRANT PROGRAM TO HIGHER EDUCATION.

- IF FEDERAL FUNDS ARE USED TO BUY SYSTEM SOMETIMES FEDERAL BRANCH WANTS CREDIT.

- HAVE HAD UNIVERSITIES PRODUCE SOFTWARE UNDER CONTRACT.

- PHILOSOPHY: SEEDING THE MARKET FOR LONG-TERM PAYOFF.

  - NOT TOO EFFECTIVE BECAUSE EVERYONE IS DOING THE SAME THING.

COMPANY B

- MAINFRAME COMPANY.
- HAVE A "LINE OF BUSINESS" ORGANIZATION.
  - GEM GROUP:
    - FOR PRODUCT DEVELOPMENT.
    - FOR H.O. INDUSTRY SUPPORT.
    - REGIONAL MARKETING TEAMS.
    - LARGER BRANCH OFFICES HAVE EDUCATION MARKETING TEAMS.
- FLEXIBLE POLICIES.
  - INSTITUTIONS AND DISTRICTS GET SPECIAL CONSIDERATION IF SYSTEM IS FOR INSTRUCTIONAL USE.
  - MARKET DYNAMICS CAN CHANGE POLICIES IN SPECIAL SITUATIONS.

COMPANY B - (continued)

- DISCOUNTS.
  - SYSTEMS: 10% (HAS GONE AS HIGH AS 20%).
  - HARDWARE: 10% ABOVE QUANTITY DISCOUNTS.
  - MANUALS: 10-20%.
  - NO SERVICES DISCOUNTED.
  - CONTRACT TYPE: CONFLICTING RESPONSES. ALL AGREE DISCOUNT WOULD APPLY TO CASH BALANCE IF PURCHASE OPTION WERE TO BE EXERCISED.
- CORPORATE GRANT PROGRAM.
  - RECENTLY GAVE $100K OF SOFTWARE TO GET MORE SOFTWARE.

COMPANY B - (continued)

- PHILOSOPHY.
  - DO OUR FAIR SHARE.
  - IBM PHILOSOPHY.

COMPANY C

- MAINFRAME COMPANY.
- MARKETING.
  - GENERAL SALESPERSON SELLS TO EDUCATION.
  - H.O. GROUP IS AN AD HOC ONE.
  - SELL PRIMARILY TO UNIVERSITIES AND VERY LARGE DISTRICTS.
- FLEXIBILITY.
  - VERY STRICT, TRY TO ADHERE TO POLICIES.
  - H.O. REVIEWS EVERY CASE.

COMPANY C - (continued)

- DISCOUNTS.
  - SYSTEMS: 10% ON LARGE AND MEDIUM, NONE ON SMALL.
  - SOFTWARE: 10% SOMETIMES.
  - MANUALS: 10% BUT RELATED TO SOFTWARE.
  - CONTRACT TYPE: INSTALLMENT PURCHASE AND LEASE ARE TAKEN AS PURCHASE - 10%.
  - IF USE IS STRICTLY ACADEMIC, SALESPERSON CAN GET GREATER DISCOUNT.
  - IF FEDERAL FUNDS ARE USED, DISCOUNT MIGHT BE LESS.
- PHILOSOPHY.
  - EARLY CUSTOMERS WERE UNIVERSITIES AND THEY WERE VERY SUPPORTIVE SO WE REMEMBER THEM.

COMPANY D

- MAINFRAME COMPANY.
- MARKETING ORGANIZATION.
  - GEM IS A TARGETED MARKET SEGMENT.
  - H.O. SUPPORTS EDUCATION FROM SEVERAL LOCATIONS.
  - FIELD IS PRODUCT ORIENTED RATHER THAN INDUSTRY ORIENTED.
  - BRANCHES ARE NOT SPECIALIZED BUT TEND TO "MAJOR" IN CERTAIN MARKETS.
- DISCOUNTS.
  - NO FORMAL EDUCATIONAL DISCOUNT POLICY.
  - USED TO HAVE ONE BUT CONSIDER EACH CASE INDIVIDUALLY.
    - PROFITABILITY

COMPANY D - (continued)

- MARKET DYNAMICS.
- BENEFIT TO US.

- THOSE DISCOUNTS THAT ARE PUSHED THROUGH COULD BE FOR ANY COMPANY. EDUCATION DOES NOT SEEM TO GET SPECIAL CONSIDERATION.

COMPANY E

- MAINFRAME COMPANY.
- MARKETING.
  - STRONG H.O. INDUSTRY MARKETING GROUP HEADED BY A VICE PRESIDENT.
  - HAVE FIELD SPECIALISTS IN EDUCATION.
  - EMPHASIZE EDUCATION AND TRAINING WITH SPECIAL PRODUCT LINES.
  - TWENTY-FIVE PERCENT OF TOTAL SYSTEMS ARE IN HIGHER EDUCATION, EXPECT TO GROW TO 35%.
- FLEXIBLE IN MEETING EACH INDIVIDUAL SITUATION.
- DISCOUNTS.
  - NO SPECIAL EDUCATIONAL DISCOUNTS.
  - FEEL THAT THEIR PRODUCTS ARE UNIQUE AND, THEREFORE, THEY HAVE NO NEED TO "DEAL".

COMPANY E - (continued)

- PROBABLY WOULD RESPOND TO A COMPETITIVE SITUATION.
- EDUCATION GETS THE SAME DISCOUNTS AS ANY OTHER CUSTOMER, IF ELIGIBLE.

- CORPORATE GRANT PROGRAM.
  - HAS LONG BEEN A SUPPORTER OF EDUCATION.
  - SYSTEMS HAVE BEEN GIVEN TO UNIVERSITIES FOR RESEARCH WITH STIPULATIONS THAT THE GRANTOR HAS FIRST CHOICE IF ANY USEFUL PRODUCTS EMERGE.
- PHILOSOPHY.
  - UNIQUE PRODUCTS DO NOT NEED A DISCOUNT TO BE SOLD.

COMPANY F

- MAINFRAME COMPANY.
- MARKETING.
  - EDUCATION IS TREATED AS AN INCIDENTAL MARKET ALTHOUGH THEY CLAIM 13-15% OF THEIR 1980 REVENUES ARE FROM HIGHER EDUCATION.
  - NO SEPARATE FIELD SALES GROUP TUNED TO THE EDUCATION MARKET.
- DID NOT INDICATE ANY FLEXIBILITY WHEN FACED WITH A COMPETITIVE SITUATION.
- DISCOUNTS.
  - NO SPECIAL DISCOUNTS FOR EDUCATION.
  - UNIVERSITIES RECEIVE THE SAME OEM, QUANTITY OR OTHER DISCOUNTS AS COMMERCIAL OR GOVERNMENT ACCOUNTS.

COMPANY F - (continued)

- CORPORATE GRANT PROGRAM.
  - MOST LIKELY DO NOT HAVE A FORMAL PROGRAM POLICY OR PROCEDURE BUT MAY CONSIDER EACH APPLICATION ON ITS OWN MERITS.
- PHILOSOPHY.
  - OUR SYSTEMS HAVE ENOUGH FINANCIAL ADVANTAGES THAT DISCOUNTS ARE NOT NECESSARY.

COMPANY G

- MINICOMPUTER COMPANY.
- MARKETING.
  - H.O. EDUCATION PRODUCT MARKETING GROUP.
  - NO SPECIALIZED FIELD SALESPEOPLE.
  - SOME SYSTEMS ARE SOLD TO SCHOOLS THROUGH DEALERS.
- CLAIM TO HAVE STRICT POLICIES, BUT HAVE BEEN KNOWN TO MEET THE COMPETITION.
- DISCOUNTS.
  - NO SPECIAL FORMAL EDUCATIONAL DISCOUNTS.
  - HAVE USED SOFTWARE TO "SWEETEN THE POT".
  - DEALERS CAN MAKE THEIR OWN DEALS.
  - WILL MEET THE COMPETITION IF THE ACCOUNT IS DEEMED BENEFICIAL TO COMPANY.

COMPANY G - (continued)

- CORPORATE GRANT PROGRAM.
  - VOC-TECH SCHOOLS AND HIGHER.
  - INSTRUCTIONAL USE ONLY (VERY STRICT).
  - SCHOOLS MUST HAVE THE CAPACITY TO TRAIN PEOPLE FOR THE COMPUTER INDUSTRY.
  - PREFER TO GIVE GRANTS IN LOCALES WHERE COMPANY MAINTAINS PLANTS.
- PHILOSOPHY.
  - EDUCATION IS ONE OF MANY MARKETS - NO NEED FOR SPECIAL CONSIDERATION.
  - TRAINING PERSONNEL IN LOCAL AREAS AROUND MANUFACTURING PLANTS IS A DIRECT AND IMMEDIATE BENEFIT.

COMPANY H

- MINICOMPUTER COMPANY.
- MARKETING.
  - EDUCATION WAS PRIMARY MARKET IN THE BEGINNING.
  - STRONG H.O. PRODUCT DEVELOPMENT AND MARKETING SUPPORT GROUPS.
  - STRONG REGIONAL SUPPORT FOR EDUCATION.
  - CURRENTLY NO SPECIALIZED EDUCATION SALESPEOPLE.
  - ARE BEGINNING TO USE DEALERS TO REACH END USERS.
- NOT VERY FLEXIBLE.
  - HAVE A REPUTATION OF NOT MAKING DEALS OR OF NOT GOING FAR TO MEET COMPETITION.

COMPANY H - (continued)

- DISCOUNTS.
  - NO SPECIAL DISCOUNTS FOR EDUCATION.
  - HAVE FORMAL QUANTITY END USER AND OEM DISCOUNT SCHEDULES.
  - SELL DEMO EQUIPMENT TO SCHOOLS AT REDUCED PRICES.
- CORPORATE GRANT PROGRAM.
  - HAVE GIVEN SYSTEMS WITH NO STRINGS.
  - INITIALLY GAVE MANY SYSTEMS FOR SOFTWARE DEVELOPMENT AND TESTING.
- PHILOSOPHY.
  - STRONGLY SUPPORTIVE OF EDUCATION WITH CORPORATE AND PERSONNEL CONTRIBUTIONS.

COMPANY I

- MINICOMPUTER COMPANY.
- MARKETING.
  - HAVE SPECIAL H.O. PRODUCT DEVELOPMENT GROUP.
  - H.O. INDUSTRY MARKETING GROUP.
  - SELL TO SCHOOLS THROUGH EDUCATION OEMs.
  - HAVE SOME EDUCATION SALESPEOPLE.
  - MARKET SPECIALIZED EQUIPMENT AND PREPACKAGED SYSTEMS TO SCHOOL.
- VERY FLEXIBLE IF IT IS MUTUALLY BENEFICIAL.
- DISCOUNTS.
  - NO FORMAL SET DISCOUNT POLICY.
  - HAVE DISCOUNT AGREEMENT WITH MANY UNIVERSITIES.

COMPANY I - (continued)

- CAN SELL TO SCHOOL DISTRICTS UNDER STATE GOVERNMENT CONTRACTS WHICH IN ONE CASE WAS A FLAT 8% DISCOUNT.

- WILL NEGOTIATE IN ANY SITUATION.

- WILL ALLOW MULTIPLE DISCOUNTS IF ELIGIBLE.

- EDUCATION RECEIVES "PREFERRED INTEREST RATES" IN A LEASE OR INSTALLMENT PURCHASE SITUATION.

- ANY GRANTED DISCOUNT IS CARRIED THROUGH INTO THE PURCHASE OPTION.

• CORPORATE GRANT PROGRAM.

- CORPORATE CONTRIBUTION GROUP HANDLES EACH REQUEST INDIVIDUALLY.

- NO SET POLICY.

COMPANY I - (continued)

- PHILOSOPHY.
  - IBM CONCEPT.
  - GOOD EXPOSURE.

COMPANY J

- PERSONAL COMPUTER COMPANY.
- MARKETING.
  - DEALERS SELL TO SCHOOLS.
  - H.O. EDUCATION SALES MANAGEMENT TEAM.
  - H.O. PRODUCT MARKETING GROUP.
  - H.O. GETS INVOLVED IN STATEWIDE DEALS.
  - EDUCATION IS OVER 10% OF THEIR 1980 SALES.
  - HAVE A LARGE A/V MANUFACTURER AS AN OEM.
- VERY INFLEXIBLE.

COMPANY J - (continued)

- DISCOUNTS.
  - NOTHING SPECIAL FOR EDUCATION.
  - MAY GIVE SOME TECHNICAL SUPPORT IF NECESSARY.
  - QUANTITY DISCOUNTS AVAILABLE FOR EVERYONE.
  - DEALERS MAY MAKE OWN DEALS.
- CORPORATE GRANT PROGRAM.
  - CORPORATE FOUNDATION WILL GRANT A SYSTEM TO A SCHOOL FOR A VERY CREATIVE OR UNIQUE APPLICATION.
  - SCHOOL MUST APPLY FOR THE GRANT.
- PHILOSOPHY.
  - ENCOURAGE APPLICATION SHARING.
  - PROMOTE COMPUTER LITERACY.

COMPANY K

- PERSONAL COMPUTER COMPANY.
- MARKETING.
  - SELL THROUGH DEALERS TO EDUCATION END USERS.
  - BUILDING A H.O. EDUCATION SUPPORT GROUP NOW.
  - WILL GET INVOLVED WITH STATEWIDE BIDS.
- CAN BE FLEXIBLE, IF NECESSARY, TO GET LARGE BIDS.
  - DEALERS CAN BE AS FLEXIBLE AS THEY CHOOSE WITHIN THE BOUNDS OF ANY CONTRACT WITH THE MANUFACTURER.
- DISCOUNTS.
  - SYSTEMS.
    - THREE FOR TWO DEAL - DEALER SELLS TWO SYSTEMS TO A BONA-FIDE SCHOOL AT LIST (OR GOING) PRICE AND THEN MANUFACTURER WILL SHIP THE THIRD SYSTEM FREE TO THE SCHOOL.

COMPANY K - (continued)

- LARGE BIDS.
  - OTHER DISCOUNTS CAN BE ARRANGED IF WORKED OUT PRIOR TO THE BID.
- DEALERS MIGHT RENT OR LEASE SYSTEMS TO SCHOOL BUT THE THREE FOR TWO DEAL STILL HOLDS.
- LOANERS ARE GIVEN TO SYSTEM HOUSES FOR SOFTWARE DEVELOPMENT AND AN EDUCATION SYSTEM HOUSE WOULD QUALIFY.

• PHILOSOPHY.

- HELPS GET THE LOWEST BID.

COMPANY L

- PERSONAL COMPUTER COMPANY.
- MARKETING.
  - SELL TO EDUCATION END USERS THROUGH DEALERS.
  - H.O. EDUCATION SPECIALISTS.
  - H.O. NATIONAL BID GROUP SEEKS OUT STATEWIDE BIDS.
  - HAVE LARGE SCHOOL PUBLISHING HOUSE AND TESTING SERVICE AS OEMs.
- DISCOUNTS.
  - SYSTEMS.
    - A SMALL EDUCATION DISCOUNT (ABOUT 5%) IS ADDED TO THE STANDARD QUANTITY DISCOUNT.
  - HARDWARE.
    - SAME AS SYSTEMS.

COMPANY L - (continued)

- TRAINING.
  - TEACHERS GET INITIAL CLASS IN BASIC FREE.
- DEALERS DO NOT DISCOUNT SINGLE UNIT ORDERS.
- NATIONAL BID GROUP MAY OFFER A LEASE CONTRACT WITH A DISCOUNT.

- PHILOSOPHY.
  - COMPANY OCCASIONALLY MAKES AN EDUCATIONAL GRANT.
    - NO FIXED RULES.
  - COMPANY FEELS AN OBLIGATION TO SUPPORT EDUCATION.